

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MARKET DOMINANT PRODUCT PRICES  
INBOUND MARKET DOMINANT MULTI-SERVICE AGREEMENTS  
WITH FOREIGN POSTAL OPERATORS 1  
AUSTRALIAN POSTAL CORPORATION - UNITED STATES  
POSTAL SERVICE BILATERAL AGREEMENT  
(MC2010-35 AND R2010-6)  
NEGOTIATED SERVICE AGREEMENT

Docket No. R2017-2

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1,  
WITH PORTIONS FILED UNDER SEAL  
(January 4, 2017)**

The United States Postal Service (Postal Service) hereby provides its responses to Chairman's Information Request No. 1, which the Postal Regulatory Commission (Commission) filed in this docket on December 22, 2016. A response was due no later than January 3, 2017.

Each question as it appears in the public version of the request is reprinted verbatim in the attached, and is followed by the Postal Service's response. Because Questions 2 and 3c of Chairman's Information Request No. 1 were filed under seal, the text of those questions and the responses to those questions are filed under seal. In addition, the response to Question 3a is filed under seal. The Postal Service incorporates by reference its application for non-public treatment filed in this docket for the protection of these materials.<sup>1</sup>

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<sup>1</sup> Notice of United States Postal Service of Type 2 Rate Adjustment, Notice of Filing Functionally Equivalent Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, Docket No. R2017-2, December 22, 2016, at Attachment 1.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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January 4, 2017

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1. The instant agreement appears to share more cost and market characteristics with the Inbound Market Dominant Exprès Service Agreement 1 in Docket No. R2011-6 than the agreements within the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product in Docket No. R2010-6.
  - a. Please explain how the instant agreement differs from the Inbound Market Dominant Exprès Service Agreement 1.
  - b. Please provide a justification supporting a finding of functional equivalence between the instant agreement and the agreements within the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product in light of the fact that the instant agreement uses a different rate structure than the agreements within the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product.
  - c. The agreements within the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product have termination dates. However, the Inbound Market Dominant Exprès Service Agreement 1 does not have a termination date. Please confirm that there is no termination date for the instant agreement.

### **RESPONSE:**

- a. Among the differences between the instant agreement (the Australia Post 2017 Agreement) and the Inbound Market Dominant Exprès Service Agreement 1 (Exprès Service Agreement) are the following.
  - Australia Post has not acceded to the Exprès Service Agreement although Australia Post is a PRIME member. Therefore, the Australia Post 2017 Agreement cannot be considered to fall within Article 8 of the Exprès Service Agreement, which concerns agreements among parties to the Exprès Service Agreement that provide for remuneration and service features that differ from the Exprès Service Agreement.

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- Some of the requirements for Australia to United States Tracked Packet with Delivery Scanning set forth in Annex 2 of the Australia Post 2017 Agreement differ from the requirements set forth for Express items in the Express Service Agreement.
- Annex 6 of the Australia Post 2017 Agreement includes specific bilateral data exchange and measurement objectives that are not included in the Express Service Agreement.

Although such differences exist, and the Postal Service proposed including the Australia Post 2017 Agreement in the Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product, the Postal Service believes that the Australia Post 2017 Agreement could also reasonably be included within the Inbound Market Dominant Express Service Agreement 1 product given the conceptual similarities between the two instruments.

b. The Australia Post 2017 Agreement and the China Post 2010 Agreement could be said to be functionally equivalent for the following reasons.

- Both the China Post 2010 Agreement and the Australia Post 2017 agreement include rates for some form of inbound small packet with delivery scanning. Annex 1 of the China Post 2010 Agreement includes rates for China to United States Small Packet with Delivery Scanning, and Annex 1 of the Australia Post 2017 Agreement includes

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rates for Australia to United States Tracked Packet with Delivery Scanning.

- The rates for small packet with delivery scanning in both the Australia Post 2017 and China Post 2010 agreements incorporate or acknowledge the inbound terminal dues rates for the host piece.
- Australia Post has not acceded to the Exprès Service Agreement.
- The Commission determined that the following agreements, which for inbound rates include only rates for small packet with delivery scanning, should be included in the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product:
  - R2012-1 Singapore Post;<sup>2</sup>
  - R2013-5 Singapore Post;<sup>3</sup>
  - R2014-5 Singapore Post;<sup>4</sup>
  - R2013-9 Korea Post;<sup>5</sup>
  - R2015-1 Korea Post;<sup>6</sup>

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<sup>2</sup> PRC Order No. 995, Order Approving Rate Adjustment for Singapore Post – United States Postal Service Letter Post Bilateral Agreement Negotiated Service Agreement, Docket No. R2012-1, November 23, 2011.

<sup>3</sup> PRC Order No. 1610, Order Approving An Additional Inbound Market Dominant Multi-Service Agreement With Foreign Postal Operators 1 Negotiated Service Agreement (with Singapore Post), Docket No. R2013-5, January 3, 2013.

<sup>4</sup> PRC Order No. 2007, Order Approving 2014 Bilateral Agreement With Singapore Post Limited, Docket No. R2014-5, March 5, 2014.

<sup>5</sup> PRC Order No. 1864, Order Approving An Additional Inbound Market Dominant Multi-Service Agreement With Foreign Postal Operators 1 Negotiated Service Agreement (with Korea Post), Docket No. R2013-9, October 30, 2013; PRC Order No. 2148, Order Granting, in Part, Motion for Partial Reconsideration of Order No. 1864 and Modifying, in Part, Order No. 1864, Docket No. R2013-9, August 11, 2014.

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- R2016-1 Korea Post;<sup>7</sup>
- R2015-5 Hongkong Post.<sup>8</sup>

Based on the agreements listed above, there is precedent for the inclusion of an agreement, such as the bilateral currently under consideration, in the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product. The Commission determined that all of the agreements listed above that were filed after PRC Order No. 2148 -- (the R2015-1 and R2016-1 Korea Post, as well as the R2015-5 Hongkong Post agreement) -- were functionally equivalent to the China Post 2010 Agreement.<sup>9</sup> Thus, it is reasonable to conclude that the similarities outlined above support a finding of functional equivalence between the Australia Post 2017 Agreement and the China Post 2010 Agreement.

- c. Confirmed. Article 22 of the Australia Post 2017 Agreement states that the agreement “will remain in effect from the Effective Date until terminated pursuant to Article 8.”

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<sup>6</sup> PRC Order No. 2235, Order Approving Additional Inbound Market Dominant Multi-Service Agreement With Foreign Postal Operators 1 Negotiated Service Agreement, Docket No. R2015-1, October 31, 2014.

<sup>7</sup> PRC Order No. 2843, Order Approving Inbound Market Dominant Multi-Service Agreement with Foreign Postal Operators 1 Negotiated Service Agreement (with Korea Post), Docket No. R2016-1, November 25, 2015.

<sup>8</sup> PRC Order No. 2717, Order Approving Additional Inbound Market Dominant Multi-Service Agreement with Foreign Postal Operators 1 Negotiated Service Agreement (with Hongkong Post), Docket No. R2015-5, September 17, 2015.

<sup>9</sup> See PRC Order No. 2235, at 5; PRC Order No. 2843, at 7; PRC Order No. 2717, at 7.

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2.

[illegible]

**RESPONSE:**

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED]



RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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3. Please refer to the Excel file "Australia-WP-Inbound\_IB PRIME Expres Analysis 02.xls," tab "02\_Inputs."
- a. Please explain the concept of catch up revenue in cell C100.
- b. The source of the volume in cell C101 is cited as "International Accounting." Please confirm that this volume reflects actual volume for inbound small packets from Australia in FY 2016. If not confirmed, please explain the source of this data.
- c. [REDACTED]

**RESPONSE:**

The answers below refer to cells in the revised version of the financial workpapers for the Australia Post 2017 Agreement that the Postal Service recently filed in this docket.<sup>10</sup>

- a. [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

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<sup>10</sup> Notice of the United States Postal Service of Filing Errata concerning Financial Workpapers included in Notice of United States Postal Service of Type 2 Rate Adjustment, Notice of Filing Functionally Equivalent Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, Docket No. R2017-2, January 4, 2017.

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- b. Confirmed. The volume in cell C101 reflects the actual volume for inbound small packets from Australia in FY 2016 from the Postal Service's internal accounting system.

- c. [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]